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SUBJECT: VERHOFSTADT'S CHRISTMAS PRESENT FOR KING ALBERT - A NEW
BELGIAN GOVERNMENT

¶1. (U) Belgium's two Liberal, two Christian Democratic, and francophone Socialist party finally agreed on December 18 to form an interim government. The decision followed an agonizing day of public argument and backroom arm twisting that resulted in an agreement for current caretaker Prime Minister Guy Verhofstadt (Open VLD - the Flemish Liberals) to head an "interim" cabinet that, if all goes smoothly, will stay in office through March 23, when Flemish Christian Democrat (CD&V) Yves Leterme is supposed to become Prime Minister. The interim government's job includes drafting the 2008 budget, measures to shore up the purchasing power, upgrading some social security benefits, implementing the multi-year security plan for the police forces, keeping spiraling energy prices under control, and taking selective measures to keep labor costs down.

¶2. (U) Press and political sources tell us that current FM De Gucht, a Flemish Liberal, will keep his job, and that Defmin Flahaut, a francophone Socialist, will lose his. There is no clear word as yet on his replacement, but the betting money is on Flemish Christian Democrat Pieter De Crem or francophone Liberal Sabine Laruelle. Interior Minister Dewael (Open VLD) also looks set to stay. The Justice Ministry probably will go to a CD&V member.

¶3. (U) The new cabinet is going to be sworn in on Friday, December 21, and later that day Verhofstadt intends to read a policy statement in Parliament. The ensuing debate is scheduled for the following day, with the vote of confidence taking place on Sunday, December 23. Belgian law apparently precludes having the speech, debate, and vote occur on the same day.

¶4. (U) The new team controls 101 of the 150 seats of the House of Representatives, which is the required two-thirds for amending the Constitution, a task of the follow-up government. During the interim period, a committee of twelve leading politicians will seek agreement on a comprehensive institutional reform package. There is no place in the new government for the Flemish Socialists, who opted out, and for the Flemish nationalists allied with the CD&V, the N-VA. The latter may play a role in the upcoming institutional discussions.

¶5. (U) Comment: This is a classic Belgian compromise, whipped together in just two weeks. Everybody gets something, and loses something, too. Since it remains to be seen how the Committee of Twelve will work in practice, it is too early to say if the follow-on government actually will get underway as planned on Easter Monday. End Comment.

FOX